



General Assembly

January Session, 2007

***Raised Bill No. 7178***

LCO No. 4295

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Referred to Committee on Energy and Technology

Introduced by:  
(ET)

***AN ACT CONCERNING WATER COMPANY INFRASTRUCTURE  
PROJECTS.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1      Section 1. (NEW) (*Effective from passage*) (a) For purposes of this  
2      section:

3      (1) "Eligible projects" means those water company plant projects not  
4      previously included in the water company's rate base in its most recent  
5      general rate case and that are intended to improve or protect the  
6      quality and reliability of service to customers, including (A) renewal or  
7      replacement of existing infrastructure, including, but not limited to,  
8      mains, valves, services, meters and hydrants that have either reached  
9      the end of their useful life, are worn out, are in deteriorated condition,  
10     are or will be contributing to unacceptable levels of unaccounted for  
11     water, or are negatively impacting water quality or reliability of  
12     service if not replaced; (B) main cleaning and relining projects; (C)  
13     main extensions to eliminate dead ends which negatively impact water  
14     quality and reliability of service; (D) relocation of facilities as a result of  
15     government actions, the capital costs of which are not otherwise  
16     eligible for reimbursement; and (E) water conservation projects

17 including, but not limited to, purchase of leak detection equipment or  
18 installation of production meters, pressure reducing valves or stream  
19 gauging stations.

20 (2) "Department" means the Department of Public Utility Control.

21 (3) "Infrastructure assessment report" means a report filed by a  
22 water company with the department that identifies water system  
23 infrastructure and conservation needs and the company's criteria for  
24 determining the priority for eligible infrastructure or conservation  
25 projects.

26 (4) "Pretax return" means the revenue necessary, after deduction of  
27 depreciation and property taxes, to produce net operating income  
28 equal to the water company's weighted cost of capital as approved by  
29 the department in the company's most recent general rate case  
30 multiplied by the new original cost of eligible projects.

31 (5) "Reconciliation adjustment" means the difference between  
32 revenues actually collected through the water infrastructure and  
33 conservation adjustment and the amount allowed under the WICA for  
34 that period for the eligible projects. The amount of revenues  
35 overcollected or undercollected through the adjustment will be  
36 recovered or refunded, as appropriate, as a reconciliation adjustment  
37 over a one-year period commencing on April first.

38 (6) "Water Infrastructure and Conservation Adjustment (WICA)"  
39 means an adjustment to water company customers' rates to recover the  
40 WICA costs of eligible projects.

41 (7) "WICA costs" means the depreciation and property tax expenses  
42 and associated return on completed eligible projects.

43 (8) "WICA revenues" means the revenues provided through a water  
44 infrastructure and conservation adjustment for eligible projects.

45 Sec. 2. (NEW) (*Effective from passage*) (a) The department may

46 authorize a water company to use a rate adjustment mechanism, such  
47 as a water infrastructure and conservation adjustment (WICA), for  
48 eligible projects completed and in service for the benefit of the  
49 customers. A water company may only charge customers such an  
50 adjustment to the extent allowed by the department based on the  
51 company's infrastructure assessment report, as approved by the  
52 department and upon quarterly filings by the company which reflect  
53 plant additions consistent with such report.

54 (b) The water company shall file the infrastructure assessment  
55 report with the department and such report shall identify the water  
56 system infrastructure and conservation needs and the company's  
57 criteria for determining priority for eligible infrastructure or  
58 conservation projects. Such criteria shall consider factors including, but  
59 not limited to: (1) Age, material or condition of the facilities; (2) extent  
60 and frequency of main breaks or interruption of service; (3) adequacy  
61 of pressure; (4) head loss; (5) availability of fire flows; and (6) as well as  
62 the potential impact of conservation projects that promote the efficient  
63 use of the water resources.

64 (c) The department shall approve an infrastructure assessment  
65 report upon determining that the company has demonstrated through  
66 generally accepted engineering practices (1) the amount, age and  
67 condition of existing infrastructure considered for renewal or  
68 replacement as eligible projects; (2) that such projects will benefit  
69 customers by improving water quality, system integrity, service  
70 reliability or support more efficient use of water resources; and (3) that  
71 reasonable criteria for determining priority for infrastructure or  
72 conservation projects have been established. The department may hold  
73 a hearing to solicit input on the company's infrastructure assessment  
74 report provided a decision on the assessment is made not later than  
75 one hundred eighty days after filing. Any such report not approved,  
76 rejected or modified by the department within such one-hundred-  
77 eighty-day period shall be deemed to have been approved.  
78 Department approval shall be valid for ten years, at which time the

79 company shall submit an updated infrastructure assessment report for  
80 the department's review and approval. Nothing in this section shall  
81 preclude a company from filing an updated infrastructure report upon  
82 changes in their system needs or the criteria for determining priority  
83 for projects.

84 (d) The department shall not certify an infrastructure assessment  
85 report or authorize a company to impose a rate adjustment pursuant to  
86 subsection (a) of this section if the department determines the water  
87 company is unwilling to provide safe, adequate and reliable service to  
88 existing customers.

89 (e) Upon department approval of the infrastructure assessment  
90 report, the water company may charge a WICA for eligible projects in  
91 addition to such water company's existing rate schedule.  
92 Notwithstanding the provisions of section 16-19 of the general statutes,  
93 the company may charge the WICA for eligible projects, pursuant to  
94 subsection (f) of this section, pursuant to the procedures and customer  
95 notification requirements in subsections (g) and (h) of this section.

96 (f) The adjustment shall be calculated as a percentage, based on the  
97 original cost of completed eligible projects times the applicable rate of  
98 return, plus associated depreciation and property tax expenses related  
99 to eligible projects and any reconciliation adjustment calculated  
100 pursuant to subsection (j) of this section as a percentage of the  
101 projected revenues for the regulated activities of said water company.

102 (g) Water companies may impose the surcharge for eligible projects  
103 on customers' bills at intervals of no less than three months,  
104 commencing on January first, April first, July first and October first  
105 each year. No proposed WICA charge or credit shall become effective  
106 until the Department of Public Utility Control has approved such  
107 charges or credits pursuant to an administrative proceeding. Such  
108 administrative proceeding shall be open to the public and shall be  
109 convened not later than ten days after the filing of an application by a  
110 water company requesting such a proceeding. The department shall

111 receive and consider comments of interested persons and members of  
112 the public at such a proceeding, which shall not be considered a  
113 contested case for purposes of title 4 of the general statutes, this section  
114 or any regulation adopted thereunder. Any approval or denial of the  
115 department pursuant to this subsection shall not be deemed an order,  
116 authorization or decision of the department for purposes of section 16-  
117 35 of the general statutes. Notwithstanding the provisions of this  
118 section, if the department has not rendered an approval or denial  
119 concerning any such application not later than five days after the day  
120 the administrative proceeding should have been convened, the  
121 proposed charges or credits shall become effective at the option of the  
122 company pending the department's finding with respect to such  
123 charges, provided the company will refund its customers any such  
124 amounts collected from them in excess of the charges approved by the  
125 department in its finding.

126 (h) Water companies shall notify customers through a bill insert or  
127 other direct communications when the adjustment is first applied and  
128 the WICA shall appear as a separate item on the customers' bills.

129 (i) The amount of the WICA applied between general rate case  
130 filings shall not exceed seven and one-half per cent of the company's  
131 annual revenues and shall not exceed five per cent of such revenues for  
132 any twelve-month period. The amount of the adjustment shall be reset  
133 to zero as of the effective date of new base rates approved pursuant to  
134 section 16-19 of the general statutes and shall be reset to zero if the  
135 company exceeds the allowable rate of return by more than one  
136 hundred basis points for any calendar year.

137 (j) On or before February first of each year, the company shall  
138 submit to the department an annual reconciliation audit through  
139 December thirty-first for any WICA applied to customers' rates in the  
140 previous calendar year. Such audit shall demonstrate that the WICA is  
141 limited to eligible projects that are in service and used and useful as of  
142 the end of the calendar year. In addition, the audit shall compare

143 WICA revenues actually collected to the allowed amount of the  
144 adjustment. If upon completion of the audit the department  
145 determines that the company overcollected or undercollected the  
146 adjustment, the difference between the revenue and costs for eligible  
147 projects will be recovered or refunded, as appropriate, as a  
148 reconciliation adjustment over a one year period commencing on April  
149 first. The company shall refund the customers with interest for any  
150 overcollection but shall not be eligible for interest for any  
151 undercollection.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	New section
Sec. 2	<i>from passage</i>	New section

***Statement of Purpose:***

To provide water companies an opportunity to recover the water infrastructure and conservation adjustment costs of eligible projects.

*[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]*